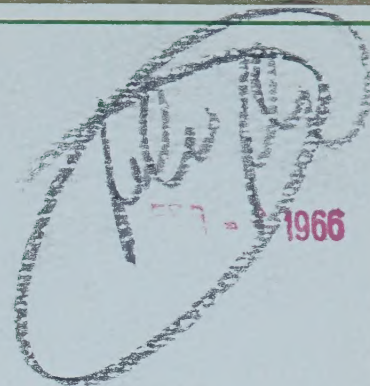
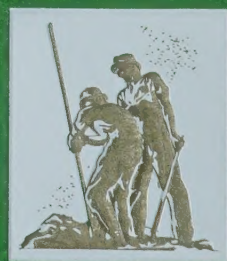


AR47

Rayrock
Mines
L I M I T E D



ANNUAL REPORT 1965



RAYROCK MINES LIMITED

PRINCIPAL INTERESTS AND HOLDINGS

OIL

PRODUCTION — Estimated Cash Flow 1966 — \$250,000.

Reserves — 20 years at current production rate.

EXPLORATION — Acting as the operator in participation with other companies acquiring leases and drilling for oil in Southwestern Ontario.

GOLD

PRODUCTION — Holds effective control, 32% interest, in Discovery Mines — producing gold bullion for 16 years. Discovery has other gold properties with good production potential. Holds 22% interest in Tundra Gold Mines in its second year of production.

SILVER-LEAD-ZINC

PRODUCTION — Holds 33% interest in Johnsby Mines, shipping concentrates to Smelter at Trail, B.C.

EXPLORATION — Holds 30% interest in 160 claims located in the Yukon Territory.

LEAD-ZINC

EXPLORATION — Wholly owned 8,100 acres in the Sulphur Bay Area, N.W.T., 60 miles northwest of Pine Point Mines. Same rock formation that contains orebodies in Pine Point Area. No mineralization of economic importance located to date.

COPPER

EXPLORATION — Carrying out underground drilling program with Hydra Explorations Limited on the Velvet Mine, Rossland, B.C. If results satisfactory can start immediate production with 150-ton mill located on the property.

Holds 25% interest in Icon Syndicate — will drill two copper discoveries early this year in the Chibougamau Area, Quebec.

Holds stock and participations in mining companies and prospecting syndicates now exploring interesting discoveries.

PRINCIPAL ASSETS

Cash, Short Term Notes, etc.	\$ 845,352
Investments — Listed Stocks, Market Value	\$3,291,900
Unlisted Stocks, Book Value	524,414
Income Debentures and Production Advances	322,500
Oil Properties and Well Equipment	891,513

RAYROCK MINES LIMITED

OFFICERS

J. C. BYRNE	-	-	-	-	-	-	-	-	-	President
J. J. BYRNE	-	-	-	-	-	-	-	-	-	Vice-President
D. S. HAMILTON	-	-	-	-	-	-	-	-	-	Secretary-Treasurer

DIRECTORS

J. C. BYRNE	-	-	-	-	-	-	-	-	-	Toronto, Ont.
J. J. BYRNE	-	-	-	-	-	-	-	-	-	Toronto, Ont.
D. S. HAMILTON	-	-	-	-	-	-	-	-	-	Toronto, Ont.
J. J. RANKIN	-	-	-	-	-	-	-	-	-	Toronto, Ont.
H. BRODIE HICKS, P.Eng.	-	-	-	-	-	-	-	-	-	Toronto, Ont.

MANAGEMENT

J. C. BYRNE	-	-	-	-	-	-	-	-	-	Toronto, Ont.
Managing Director										
W. E. CLARKE, P.Eng.	-	-	-	-	-	-	-	-	-	Oakville, Ont.
Manager, Mineral Division										
A. E. MACKEY, P.Eng.	-	-	-	-	-	-	-	-	-	Chatham, Ont.
Manager, Petroleum Division										

CONSULTING ENGINEER

NORMAN W. BYRNE, P.Eng.	-	-	-	-	-	-	-	-	-	Yellowknife, N.W.T.
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SOLICITORS

MUNGOVAN & MUNGOVAN	-	-	-	-	-	-	-	-	-	80 King St. W., Toronto, Ont.
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AUDITORS

EDDIS & ASSOCIATES	-	-	-	-	-	-	-	-	-	85 Richmond St. W., Toronto, Ont.
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**TRANSFER AGENTS
AND REGISTRARS**

CROWN TRUST COMPANY	-	-	-	-	-	-	-	-	-	302 Bay St., Toronto, Ont.
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BANKERS

ROYAL BANK OF CANADA	-	-	-	-	-	-	-	-	-	Toronto, Ont.
Bay and Temperance Branch										

EXECUTIVE OFFICE

SUITE 1011, 2200 YONGE ST.,	Toronto, Ont.									
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DIRECTORS' REPORT

TO THE SHAREHOLDERS OF
RAYROCK MINES LIMITED:

Your Directors take pleasure in presenting the Annual Report for the year ending October 31, 1965.

Your Company's interests are well diversified in mining and oil production and in exploration. Rayrock has acquired all oil reserves from its wholly-owned subsidiary, Elgin Petroleum Corporation, and has taken over as the operator. We have a substantial stake in exploration and development of copper, lead and zinc deposits in ventures which we are directing, and also through participation with, and shareholdings in, other mining companies. Our large share interests in producing gold mines should act as a buffer in any economic storms which might lie ahead.

During the fiscal year 1966, we anticipate a cash flow of \$250,000 from our Petroleum Division. Dividends and in-

terest received from investments should add \$125,000 to our income during 1966. The market value of investments listed on the Toronto Stock Exchange at \$3,291,900 is more than double the cost or book value of \$1,574,146. We look forward to continuing growth and prosperity for your Company.

We extend our sincere thanks and appreciation to the operating and exploration personnel for their contribution to the success of your Company.

On behalf of the Board

J. C. BYRNE

President and Managing Director

Toronto, Ontario

January 10, 1966

RAYROCK MINES LIMITED

CONSOLIDATED BALANCE

ASSETS

CURRENT

Cash	\$ 77,881	
Short-term notes and certificates, at cost	700,000	
Accounts receivable	53,226	
Estimated income taxes refundable	14,245	\$ 845,352

Investment in shares of other companies at cost less proceeds from disposals		
Listed stocks (quoted market value \$3,291,900)	1,574,146	
Unlisted and escrowed	524,414	2,098,560

OTHER INVESTMENTS

Income debentures of Tundra Gold Mines Limited, 6% due April 1, 1970	235,000	
Advances to Johnsby Mines Limited — repayable out of production revenue	87,500	322,500

OIL PROPERTIES

Petroleum and natural gas leases, at cost less accumulated depletion of \$141,556	763,657	
Non-producing leases, at cost	25,985	
Well equipment, at cost less accumulated depreciation of \$359,737	101,871	891,513

MINING PROPERTIES

Mining claims and options, at cost		257,148
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OTHER ASSETS

Sundry accounts receivable	13,077	
Prepaid expenses	2,244	
Head office furniture and fixtures at cost less accumulated depreciation of \$1,476	5,906	
Incorporation and organization	10,667	31,894

Excess of cost of investment in subsidiary company over the book value of its assets		291,821
		<u>\$4,738,788</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT OCTOBER 31, 1965

1. Included in this consolidation are the accounts of Elgin Petroleum Corporation Limited, a wholly-owned subsidiary company, for the fifteen-month period ended October 31, 1965.
2. The Income Debentures of Tundra Gold Mines Limited have been subordinated to the bank to assist in the financing of that company. As at the date of these financial statements, Tundra Gold Mines Limited was not indebted to its bankers.



LIABILITIES

CURRENT

Accounts payable and accrued charges	\$ 26,868
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CAPITAL AND SURPLUS

Capital Stock —

Authorized:

4,500,000 shares of \$1.00 par value each	<u>\$4,500,000</u>
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Issued and fully paid:

4,460,000 shares	\$4,460,000
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Contributed Surplus	619,318
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5,079,318

Less: Deficit from Operations	<u>367,398</u>	4,711,920
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The accompanying Notes are an integral part of these financial statements and should be read in conjunction therewith.

Approved on behalf of the Board:

J. C. BYRNE, Director.

D. S. HAMILTON, Director.

\$4,738,788

AUDITORS' REPORT

To the Shareholders,
Rayrock Mines Limited.

We have examined the Consolidated Balance Sheet of Rayrock Mines Limited as at October 31, 1965 and the Consolidated Statements of Deficit and Operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion, the attached Consolidated Balance Sheet and accompanying Consolidated Statements of Deficit and Operations present fairly the financial position of the Company as at October 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
December 30, 1965.

EDDIS & ASSOCIATES,
Chartered Accountants.

RAYROCK MINES LIMITED

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED OCTOBER 31, 1965

Balance, November 1, 1964		\$ 30,676
Add:		
Well equipment written down to depreciated value upon sale from subsidiary to parent company	\$ 234,727	
Unamortized drilling and development expenditures previously claimed for income tax purposes and now written off	208,049	442,776
		<u>473,452</u>
Less:		
Excess of revenue over expenditures, per Consolidated Statement of Operations	76,121	
Adjustment of prior year's income taxes	29,933	106,054
Balance, October 31, 1965		<u><u>\$ 367,398</u></u>

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED OCTOBER 31, 1965

(Oil Division operations cover a fifteen-month period)

Net income for the fifteen months ended October 31, 1965 — Oil Division	\$ 188,155
Investment income	96,036
	<u>284,191</u>
Less: Total expenditures — Exploration Division	208,070
Excess of revenue over expenditures	<u><u>\$ 76,121</u></u>

CONSOLIDATED SCHEDULE OF REVENUE AND EXPENDITURES

— OIL DIVISION

FOR THE FIFTEEN MONTHS ENDED OCTOBER 31, 1965

Oil sales	\$ 466,496	
Less: Royalties	51,569	\$ 414,927
DEDUCT:		
Well operating expenses	50,804	
Transportation of oil to refinery	44,994	
Field administrative expenses	32,281	
Interest on bank loan	11,059	
Amortization of property and equipment	87,634	226,772
Net income for the fifteen months — Oil Division		<u><u>\$ 188,155</u></u>

RAYROCK MINES LIMITED

CONSOLIDATED SCHEDULE OF EXPENDITURES — EXPLORATION DIVISION

FOR THE YEAR ENDED OCTOBER 31, 1965

EXPLORATION AND DEVELOPMENT — MINING PROPERTIES

Sulphur Bay Area — Northwest Territories	\$ 65,493	
Icon Syndicate — Quebec and New Brunswick	30,372	
Frobex-Annesley Project — Colorado, U.S.A.	14,856	
Molybdenum exploration — Saskatchewan	8,752	
Prospecting and exploration — Ontario, Quebec, British Columbia and Northwest Territories	20,518	\$ 139,991

EXPLORATION AND DEVELOPMENT — OIL PROPERTIES

Exploration expenditures	735	
Properties abandoned	14,322	15,057

HEAD OFFICE AND ADMINISTRATION

Management salaries	23,416	
Directors' fees	2,500	
Government licenses, fees and taxes	979	
Legal and audit	2,369	
Office services, rent, etc.	10,694	
Telephone and telegraph	1,097	
Transfer agents' fees and expenses	3,263	
Travelling expenses	1,221	
Shareholders' information	6,007	
Loss on sale of balance of mine supplies	1,476	53,022

Total expenditures for the year — Exploration Division		<u>\$ 208,070</u>
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RAYROCK MINES LIMITED

MINERAL DIVISION

JOHNSBY MINES LIMITED

Production was continuous during 1965, with daily rate being increased from 40 to 60 tons in August. Operations are under the supervision of Rayrock and Metal Mines Limited.

The Mammoth workings were re-opened in June and two stopes above the 10th Level are contributing an increasing percentage of the tonnage to the mill. Ore between the 10th Level and 12th Level (lowest developed horizon) is presently being opened up by raising and subdrifting. A total of 20,000 tons of ore should be available from this area.

Ore reserves in the Hecla workings are quite limited. Exploration diamond drilling above and below known ore shoots is now in progress. Other potential areas will be tested by raising and diamond drilling.

Ore delivered to the mill from January 1st to October 31, 1965 was 9,763 tons averaging 14.80 ounces silver, 4.22 per cent lead and 4.91 per cent zinc per ton. During the ten months, 599 tons of silver-lead and 761 tons of zinc concentrates were produced, for an estimated net smelter return of \$274,000. Net operating profit for the same period was \$50,000.

VELVET MINE

Your Company, in equal participation with Hydra Explorations Limited, signed an option agreement September 30th with Mid-West Mines Limited to carry out an underground exploration program on the Velvet property, with provisions to resume production if exploration results are satisfactory.

The Velvet Mine is located 11 miles southwest of Rossland, B.C., and is a former copper-gold producer. To 1942 metal production amounted to 17,073 ounces silver, 14,357 ounces gold and 1,500,073 pounds copper from an estimated 100,000 tons mined. The mine was reactivated in 1956 and a 150-ton per day mill built by Mid-West. Production has been sporadic since that time, with the most recent operation being in 1963. The mill is in good operating condition.

Geological mapping of all underground workings is now in progress and will be followed by diamond drilling in January to extend known ore zones and explore parallelling structures.

SULPHUR BAY

Exploration was continued on our 8,100-acre property in the Sulphur Bay area, on the west shore of Great Slave Lake, Northwest Territories, about 60 miles northwest of Pine Point Mines. The property is underlain by the same reef formation in which the ore bodies of the Pine Point area are located.

As the follow-up to last year's geochemical and geological surveys, an Induced Polarization geophysical survey, totalling 47.84 line miles, tested about 3,200 acres which included the areas of geological and geochemical interest. Two main anomalous areas of sulphide mineralization were outlined about 2½ miles apart. On the more westerly anomaly, seven diamond drill holes exposed the total thickness of reef formation, while 17 holes were drilled on the larger easterly anomaly. Total drilling amounted to 4,998 feet.

This work indicated that lead-zinc mineralization occurs in the reef formation to depths up to 200 feet, probably concentrated in elongated lenses. The more widespread anomalous areas were caused by pyrite in the formations immediately below the productive horizon. No economic mineralization has yet been encountered.

LESUEUR TOWNSHIP

A 5,200-acre property in Lesueur Township, Bachelor Lake area, Abitibi, Quebec, was optioned by Rayrock covering a greenstone belt that contains interesting nickel mineralization 2.5 miles to the southwest. Silver-lead-zinc deposits are being mined in the same greenstone complex to the south. A magnetometer survey covering approximately 3,100 acres has just been completed and an electromagnetic survey is now being conducted over selected magnetic targets. This will be followed by diamond drilling if results are encouraging.

ICON SYNDICATE

Exploration activities by this syndicate, which has completed its sixth year of work, were concentrated in the Chibougamau area, Northwestern Quebec, and consisted of ground follow-up of airborne anomalies by ground E.M. testing, trenching, geological mapping and shallow diamond drilling. The Syndicate will diamond drill two copper discoveries in the Chibougamau area beginning in January 1966.

The participants are Gunnex Limited, Kerr Addison Mines Limited, Newmont Mining Corporation and Rayrock.

GUEST PROSPECTING GRUBSTAKE

Your Company has a 12.5 per cent interest in this 3-year prospecting venture. A copper-gold discovery was staked during the season in the Sioux Lookout area of Northwestern Ontario. Plans have been made for additional exploration work on this discovery which has been optioned to American Smelting and Refining Limited and Noranda Mines Limited. Both are participants in the Prospecting Grubstake.

RAYROCK MINES LIMITED

GENERAL

During the year Rayrock joined other companies in several exploration ventures that were subsequently dropped. The major participations were:

1. Malachite Mine, Colorado, U.S.A.: Exploration of this copper-silver-zinc property in Jefferson County, Colorado was completed by Rayrock, Frobex Mines, Metal Mines and Chib-Kayrand Mines, in equal participation. Four diamond drill holes, for a total of 1,734 feet, were put down to check the downward extension of a near-surface ore structure. Results were disappointing and the option was dropped.
2. Ace Mining Company Limited, Bridge River, B.C.: Your Company and Metal Mines Limited supervised a surface and underground exploration program on this property, financed by Ace Mining Company. The agreement provided for a Rayrock and Metal Mines option to participate in any continuing program. All accessible underground workings were re-mapped, surface trenching was carried out on newly located vein structures, and 1,493 feet of surface and 2,531 feet of underground diamond drilling was completed, for a total expenditure by Ace Mining of approximately \$50,000. Additional work was not recommended and the option was terminated.
3. Rossland Mines Limited: A thorough study was carried out on the feasibility of re-opening a number of the major, interconnected gold-copper mines in the Rossland Area, B.C. Apparent ore reserves do not warrant the necessary expenditures and the project was dropped. Metal Mines and Frobex shared the cost of this investigation.
4. Saskatchewan Claims: Canadian Faraday Mines, Kerr Addison, Rayrock, and Frobex as the operator, carried out exploration for molybdenite on a large claim block in Saskatchewan. Results were inconclusive and work was terminated.

As in former years, several properties were submitted for examination, but no options were exercised.

RAYROCK MINES LIMITED

PETROLEUM DIVISION

OIL PRODUCTION

Net sales from the Rodney Field to the Imperial Oil Refinery at Sarnia, for the 15-month period from August 1, 1964 to October 31, 1965 were 144,432 barrels of oil with a gross value of \$457,118. This corresponds to an average rate of 316 barrels per day, compared to an average rate of 297 barrels per day for the 12-month period ended July 31, 1964.

Rate of production increase is shown in the following table:

<u>Interval</u>	<u>Net Sales Barrels</u>	<u>Value \$</u>	<u>Average Rate Barrels Oil per Day</u>
Aug. 1/64 - Oct. 31/65 (15 months)	144,432	457,119	316
Oct. 31/64 - Oct. 31/65 (12 months)	118,247	374,112	321
Apr. 30/65 - Oct. 31/65 (6 months)	63,319	200,088	344

Production rate has increased by 47 barrels of oil per day, or by 16 per cent, from the figure of 297 barrels per day shown in the 1964 Annual Report. We expect this trend to continue for at least the next four years. Quality of oil has also improved to the point where the dockage at the refinery is negligible.

The water source well and the water plant have operated without interruption. Cumulative amount of water injected to the end of October in 1965 was 1,359,229 barrels. The amount of water injected during the 15-month period was 681,142 barrels, or an average rate of 1,500 barrels of water per day.

Costs of field operation have been reduced since the company was able, late in 1964, to obtain a unit agreement from all royalty owners, allowing production to be into one central tank battery.

EXPLORATION

In January 1965, Elgin Petroleum Corporation Limited (a wholly owned subsidiary) participated in the drilling of a Cambrian test north of Tillsonburg. Although the well was abandoned, the results were sufficiently encouraging to warrant the drilling of another well which is planned for early in 1966.

In March 1965, Elgin participated in a Guelph Reef test in Lambton County near Petrolia. This well was also abandoned. However, there is evidence of a reef in the immediate vicinity of the well and this acreage has been retained.

Toronto, Ontario,
January 12, 1966.

RAYROCK MINES LIMITED

PRINCIPAL SHAREHOLDINGS OF RAYROCK MINES LIMITED

Listed on the Toronto Stock Exchange

	Shares
Alberta Gas Trunk Line, "C" Preferred	250
Consolidated Mogul Mines Limited	51,000 ✓
Crestland Mines Limited	46,000
Denison Mines Limited	1,000
Discovery Mines Limited	879,470 ✓
Kerr Addison Mines Limited	13,000
New Athona Mines Limited	25,431
Power Corporation, 1st Preferred, 1965	500
Radiore Uranium Mines Limited	192,100 ✓
Tundra Gold Mines Limited — Common	136,122 ✓

Unlisted

Johnsby Mines Limited	1,000,000
Redstone Mines Limited	275,000
Tundra Gold Mines — Preferred	22,670



RAYROCK MINES LIMITED

The Annual Meeting of the Shareholders will be held on Tuesday, the 22nd day of February, 1966, at 10:30 o'clock in the forenoon, E.S.T., in the Nova Scotia Room, Mezzanine Floor, Royal York Hotel, Toronto, Canada.

